

City of Alma
D.A.R.T. Fund
Alma, Michigan

Financial Statements

June 30, 2004

29-7508



REHMANN ROBSON

Certified Public Accountants

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Alma D.A.R.T. Fund	County Gratiot
Audit Date June 30, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted to State: March 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

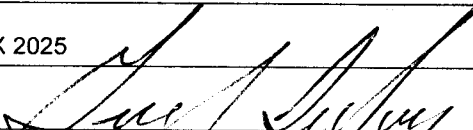
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**CITY OF ALMA
D.A.R.T. FUND**

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 12, 2004

Honorable Mayor and Members
of the City Commission
City of Alma
Alma, Michigan

We have audited the accompanying financial statements of the D.A.R.T. Enterprise Fund of the City of Alma, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City of Alma, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the D.A.R.T. Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Alma, Michigan, as of June 30, 2004, and the changes in its financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the D.A.R.T. Fund of the City of Alma, Michigan, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of the D.A.R.T. Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the D.A.R.T. Fund of the City of Alma, Michigan. Such information, except for those schedules marked unaudited, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Rehmann Johnson

**CITY OF ALMA
D.A.R.T. FUND
STATEMENT OF NET ASSETS
JUNE 30, 2004**

Assets

Current assets

Cash and cash equivalents	\$ 504,484
Investments	463,956
Receivables:	
Grants	37,590
Taxes	1,175
Other	221
Interest	1,150

Total current assets	1,008,576
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Capital assets, net of accumulated depreciation	395,855
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Total assets	1,404,431
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Liabilities

Accounts payable	5,429
Salaries payable	27,129
Due to other governments	579

Total liabilities, all current	33,137
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Net assets

Investment in capital assets	395,855
Unrestricted	975,439

Total net assets	\$ 1,371,294
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The accompanying notes are an integral part of these financial statements.

**CITY OF ALMA
D.A.R.T. FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2004**

Operating revenues	\$ 66,534
Operating expenses	<u>594,037</u>
Net operating loss	<u>(527,503)</u>
Nonoperating revenues	
Local	157,253
Federal grants	108,675
State grants	<u>234,628</u>
Total nonoperating revenues	<u>500,556</u>
Change in net assets	<u>(26,947)</u>
Net assets, beginning of year	<u>1,398,241</u>
Net assets, end of year	<u><u>\$ 1,371,294</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ALMA
D.A.R.T. FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

Cash flows from operating activities	
Cash received from customers	\$ 66,631
Cash payments for goods and services	(69,152)
Cash payments for employees	(400,344)
Internal activity - payments to other funds	(45,754)
Other payments	(6,345)
Net cash used in operating activities	(454,964)
Cash flows from noncapital financing activities	
Receipt of taxes	138,884
Receipt of grants	386,308
Net cash provided by noncapital financing activities	525,192
Cash flows from capital and related financing activities	
Purchase of capital assets	(80,949)
Proceeds from sales of capital assets	5,500
Proceeds from capital grants	44,965
Net cash provided by capital and related financing activities	(30,484)
Cash flows from investing activities	
Proceeds from sale of investments	
Purchase of investments	(47,920)
Interest received	12,531
Net cash used in investing activities	(35,389)
Net decrease in cash and cash equivalents	4,355
Cash and cash equivalents - July 1, 2003	500,129
Cash and cash equivalents - June 30, 2004	\$ 504,484
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (527,503)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	59,067
(Increase) decrease in assets	
Receivables	97
Prepaid expenses	5,977
Increase (decrease) in liabilities	
Accounts payable	4,827
Salaries payable	2,571
Total adjustments	72,539
Net cash used in operating activities	\$ (454,964)

The accompanying notes are an integral part of these financial statements.

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alma D.A.R.T. Fund (the "Fund") was organized under the Home Rule Act, Public Act 279 of 1965. It has the capability and the authority to provide public transportation to the general public in the City of Alma. This fund represents only a portion of the financial activity of the City of Alma (the "City") and thus the financial statements are not intended to present fairly the financial position, changes in financial position and cash flows of the City of Alma in conformity with generally accepted accounting principles.

THE REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for the various governmental organizations to be included in the reporting entity. The City of Alma is the primary government which has the oversight responsibility and control over all activities related to the D.A.R.T. Fund. The Fund receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Fund is included in the City of Alma's "reporting entity" as defined by GASB since the City has oversight responsibilities over the Fund. The Fund is included in the City of Alma financial statements as an Enterprise Fund.

The accounting policies of the City of Alma's D.A.R.T. Fund conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

BASIS OF ACCOUNTING

The D.A.R.T. Fund uses a flow of economic resources measurement focus. All assets and liabilities associated with the operations of this fund are included on the statement of net assets. The operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The accrual basis of accounting is followed for the D.A.R.T. Fund. The accrual basis provides that revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in the D.A.R.T. Enterprise Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. D.A.R.T. has elected not to follow subsequent private-sector guidance.

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise funds' principal ongoing operations. The principal operating revenues of the D.A.R.T. enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of participation in the cash and investment pool operated by the City of Alma.

INVESTMENTS

The investment pool operated by the City restricts its investments to the following: bonds, bills or notes of the United States; commercial paper rated prime; securities issued or guaranteed by agencies or instrumentalities of the United States; United States government federal agency obligation repurchase agreements composed of eligible collateral whose fair value must be maintained equal to or greater than amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investment pools that are composed entirely of the aforementioned investments that are legal for direct investment by a City.

STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant, and equipment of D.A.R.T., is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building improvements	10-40
Vehicles	3-10
Machinery and equipment	5-20
Office equipment	5-20

PROPERTY TAXES

Property taxes are assessed by the City of Alma as of December 31 and are attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Gratiot County for collection. The D.A.R.T. Fund of the City recognizes property taxes as revenues when they are levied on July 1 because at that point they are both measurable and available.

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS

The D.A.R.T. Fund operates a common checking account with the City of Alma. Surplus funds are invested throughout the year. The City of Alma allocates interest earnings to the participating funds in relation to the average cash balance of each fund. The amount of FDIC insurance applicable to the D.A.R.T. Fund is undeterminable as a result of pooling its deposits with the City.

INVESTMENTS

The investments of the D.A.R.T. Fund are surplus funds that are combined with the City's other surplus funds and the specific nature of the D.A.R.T. Fund investments is undeterminable. Investments of the City are all insured or registered, or are securities held by the City of Alma or its agent in the City's name which is risk category 1 and are stated at cost which approximates fair value.

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 8,119	\$ 2,800	\$ -	\$ 10,919
Capital assets being depreciated:				
Building improvements	8,335	-	-	8,335
Vehicles	528,169	78,149	(45,513)	560,805
Machinery and equipment	43,059	-	-	43,059
Office equipment	18,370	-	-	18,370
Total capital assets being depreciated	<u>597,933</u>	<u>78,149</u>	<u>(45,513)</u>	<u>630,569</u>
Less: accumulated depreciation				
Building improvements	(6,207)	(555)	-	(6,762)
Vehicles	(174,611)	(54,261)	45,513	(183,359)
Machinery and equipment	(37,015)	(2,304)	-	(39,319)
Office equipment	(14,246)	(1,947)	-	(16,193)
Total accumulated depreciation	<u>(232,079)</u>	<u>(59,067)</u>	<u>45,513</u>	<u>(245,633)</u>
Total capital assets being depreciated, net	<u>365,854</u>	<u>19,082</u>	<u>-</u>	<u>384,936</u>
Total capital assets, net	<u>\$ 373,973</u>	<u>\$ 21,882</u>	<u>\$ -</u>	<u>\$ 395,855</u>

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 4 - PENSION PLAN

The D.A.R.T. Fund participates in a pension plan through the City of Alma. The City has a defined benefit pension plan covering all full-time employees except the City Manager. The plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by writing to:

Municipal Employees Retirement System of Michigan
477 Canal Road
Lansing, MI 48917

Additional information related to the pension plan can be obtained from the City of Alma's Comprehensive Annual Financial Report, which may be obtained from the Finance Department of the City of Alma.

NOTE 5 - OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, D.A.R.T. Fund employees are eligible to receive benefits under the City of Alma's post-employment health care plan for eligible retirees and their dependents. Participating retirees are required to pay a set premium for their portion of the costs. The costs for participation in this program were immaterial for the year ended June 30, 2004.

NOTE 6 - COMPENSATED ABSENCES

The City allows employees to accumulate unused sick leave to a maximum 720 hours. Sick leave is paid only upon illness while in the employment of the City. Sick leave is not paid upon termination. No provision is made for nonvesting sick leave due to the uncertainty of actual amounts that may eventually have to be paid.

Earned vacation time is required to be used within two years of accrual with a maximum of 120 hours of carryover. Earned vacation time is paid upon termination. The liability for accrued vacation leave has been recorded as part of salaries payable.

**CITY OF ALMA
D.A.R.T. FUND**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 7 - RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates through the City of Alma in the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool for cities, counties, authorities, colleges and other local units of government.

The Fund's maximum risk retention as a participant in the MMRMA is limited to \$75,000 per occurrence for general and auto liability. The retention limit on auto physical damage is \$15,000 per unit and \$30,000 per occurrence after a \$1,000 deductible. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the Fund.

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CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF OPERATING REVENUES
YEAR ENDED JUNE 30, 2004

	<u>7/1/03 to 9/30/2003</u>	<u>10/1/03 to 6/30/2004</u>	<u>Total</u>
Operating revenues			
Customer fares and ticket sales	\$ 16,579	\$ 43,823	\$ 60,402
Commissions	980	1,903	2,883
Advertising	<u>-</u>	<u>3,249</u>	<u>3,249</u>
Total operating revenues	<u><u>\$ 17,559</u></u>	<u><u>\$ 48,975</u></u>	<u><u>\$ 66,534</u></u>

CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Operator's salaries and wages	\$ 204,507	\$ -	\$ -	\$ 204,507
Other salaries and wages	-	13,183	61,660	74,843
Dispatcher	44,379	-	-	44,379
Fringe benefits	57,161	4,456	14,562	76,179
Services				
Other services	2,931	27,636	21,566	52,133
Materials and supplies consumed				
Fuel and lubricants	21,997	-	-	21,997
Tires and tubes	254	-	-	254
Other materials and supplies	15,337	4,048	17,309	36,694
Utilities	7,428	-	1,221	8,649
Casualty and liability costs				
Premiums for public liability and property damage insurance	4,545	-	5,676	10,221
Miscellaneous expenses				
Travel and meetings	704	-	1,193	1,897
Dues and subscriptions	1,117	-	-	1,117
Leases and rentals	2,100	-	-	2,100
Depreciation	59,067	-	-	59,067
Total operating expenses	<u><u>\$ 421,527</u></u>	<u><u>\$ 49,323</u></u>	<u><u>\$ 123,187</u></u>	<u><u>\$ 594,037</u></u>

CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF NONOPERATING REVENUES
YEAR ENDED JUNE 30, 2004

	<u>7/1/03 to 9/30/2003</u>	<u>10/1/03 to 6/30/2004</u>	<u>Total</u>
Nonoperating revenues			
Local operating revenue			
Tax levy	\$ 126,866	\$ 13,051	\$ 139,917
Interest income	3,534	8,302	11,836
Other revenue	<u>-</u>	<u>5,500</u>	<u>5,500</u>
Total nonoperating revenues - local	<u>\$ 130,400</u>	<u>\$ 26,853</u>	<u>157,253</u>
State of Michigan Grants			
Local bus operating assistance (Act 51)			232,687
Adjustment of prior year local bus operating assistance (Act 51)			1,069
MI Project Zero			<u>872</u>
Total state grants			<u>234,628</u>
Federal Grants			
U.S. DOT capital grant - Section 5309, Contract 02-0004/Z6			44,965
U.S. DOT capital grant - Section 5309, Contract 02-0004/Z??			2,800
U.S. DOT operating grant - Section 5311, Contract 01-0003			1
U.S. DOT operating grant - Section 5311, Contract 02-0004/Z43			13,985
U.S. DOT operating grant - Section 5311, Contract 02-0004/Z8			44,883
U.S. DOT operating grant - RTAP			<u>2,041</u>
Total federal grants			<u>108,675</u>
Total nonoperating revenues			<u>\$ 500,556</u>

**CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
JUNE 30, 2004**

	<u>RTAP</u>	<u>Project Zero</u>	<u>Operations</u>
Labor	\$ -	\$ -	\$ 323,729
Fringe benefits	-	-	76,179
Services	-	-	52,133
Materials and supplies	2,041	53	56,851
Utilities	-	-	8,649
Casualty and liability costs	-	-	10,221
Miscellaneous expense	-	-	3,014
Lease and rentals	-	-	2,100
Depreciation	-	-	59,067
Total	<u>2,041</u>	<u>53</u>	<u>591,943</u>
Less: ineligible expenses	<u>-</u>	<u>-</u>	<u>56,435</u>
Total eligible expenses	<u><u>\$ 2,041</u></u>	<u><u>\$ 53</u></u>	<u><u>\$ 535,508</u></u>

CITY OF ALMA
D.A.R.T. FUND
NET ELIGIBLE COSTS COMPUTATION OF GENERAL OPERATION
YEAR ENDED JUNE 30, 2004

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>7/1/03 to 9/30/2003</u>	<u>10/1/03 to 6/30/2004</u>	<u>7/1/03 to 9/30/2003</u>	<u>10/1/03 to 6/30/2004</u>
Expenses				
Labor	\$ 77,223	\$ 246,506	\$ 77,223	\$ 246,506
Fringe benefits	16,192	59,987	16,192	59,987
Services	11,306	40,827	11,306	40,827
Materials and supplies	14,385	44,560	14,385	44,560
Utilities	2,061	6,588	2,061	6,588
Casualty and liability costs	7,338	2,883	7,338	2,883
Miscellaneous	459	2,555	459	2,555
Leases and rentals	525	1,575	525	1,575
Depreciation	13,617	45,450	13,617	45,450
Total expenses	<u>143,106</u>	<u>450,931</u>	<u>143,106</u>	<u>450,931</u>
Less: ineligible expenses				
Bus depot revenue	980	1,903	980	1,903
RTAP grant reimbursements	1,254	787	1,254	787
Project Zero grant reimbursements	872	-	872	-
Depreciation add back for contributed capital	12,285	38,354	12,285	38,354
Total ineligible expenses	<u>15,391</u>	<u>41,044</u>	<u>15,391</u>	<u>41,044</u>
Net eligible expenses	<u>127,715</u>	<u>409,887</u>	<u>127,715</u>	<u>409,887</u>
Eligible under Federal Section 5311	<u>\$ 127,715</u>	<u>\$ 409,887</u>		
Eligible under State Operating grants			<u>\$ 127,715</u>	<u>\$ 409,887</u>
Maximum Section 5311 reimbursement (10.95 %)	<u>\$ 13,985</u>			
(10.95 %)		<u>\$ 44,883</u>		
Maximum State Operating Assistance (Greater of):				
Statutory cap: 60% of eligible expenses				
FY 2003 formula (238,368 x 3/12) = \$59,592			<u>\$ 59,592</u>	
Maximum State Operating Assistance (Greater of):				
Statutory cap: 60% of eligible expenses				
FY 2004 formula (221,976 x 9/12) = \$166,482				<u>\$ 173,095</u>

**CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF MILEAGE DATA
YEAR ENDED JUNE 30, 2004
(UNAUDITED)**

	Public Transportation Mileage
Demand - Response	
First quarter - 7/1/03 to 9/30/03	27,269
Second quarter - 10/1/03 to 12/31/03	26,269
Third quarter - 1/1/04 to 3/31/04	28,753
Fourth quarter - 4/1/04 to 6/30/04	<u>23,673</u>
Total Operation	<u><u>105,964</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF ALMA
D.A.R.T. FUND
SCHEDULE OF INELIGIBLE EXPENSES
JUNE 30, 2004

<u>Program</u>	<u>Finding</u>	<u>Federal Section 5311 and per OMB Circular A-87</u>	<u>State Operating Assistance per Revenue and Expense Manual</u>
Urban Mass Transportation Administration			
Operating Grants:			
1	Depreciation: depreciation accrued on contributed capital must be deducted as an ineligible expense.	\$ 50,639	\$ 50,639
2	Reimbursement: conference expense that was reimbursed by the Dept. of Transportation has been deducted as ineligible.	2,041	2,041
3	Reimbursement: conference expense that was reimbursed by the Dept. of Transportation has been deducted as ineligible.	872	872
4	Expenses associated with intercity ticket selling: when an employee has joint responsibilities between intercity business and local public transportation, the revenue from the intercity activities is deducted as a contra expense when arriving at eligible expenses.	2,883	2,883
		<u>\$ 56,435</u>	<u>\$ 56,435</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

November 12, 2004

To the City Commission
City of Alma
Alma, Michigan

We have audited the financial statements of the D.A.R.T. Enterprise Fund of the City of Alma, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. The financial statements present only the D.A.R.T. Enterprise Fund and are not intended to present fairly the financial position of the City of Alma, Michigan. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the D.A.R.T. Enterprise Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the D.A.R.T. Enterprise Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of management, the City Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lohman